

20/02/2003

Valuecap yet to use bulk of RM10b fund (HL)

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VALUECAP Sdn Bhd still has deep resources to buy undervalued shares on the Kuala Lumpur Stock Exchange (KLSE) in the event of a war in West Asia as the bulk of its RM10 billion allocation has not yet been used, say sources.

"The bulk of the RM10 billion is still there, unutilised, (and) available for Valuecap to use," said a source close to the fund.

The source added that the company had not yet used up even a quarter of the RM10 billion.

Valuecap, equally owned by Khazanah Nasional Bhd, Permodalan Nasional Bhd and Kumpulan Wang Amanah Pencen, began buying stocks on the KLSE on January 10 - a move which helped restore investors' confidence in the market at a time when sentiment was at an all-time low.

This helped boost market volume significantly, with some 400 million-600 million shares changing hands daily over the next two weeks as compared to a previous three-month daily average of just 162 million shares.

Tan Sri Nor Mohamed Yakcop - the Special Economic Adviser to Prime Minister Datuk Seri Dr Mahathir Mohamad and also the man behind the formation of Valuecap - had told Business Times in an interview last month that with Valuecap now in the market, the downside for investors would be limited.

"There is now a perception among investors that should there be heavy selling, there is a deep pocket fund that is willing to pick up value stocks," he said then.

Meanwhile, the source credited Valuecap with helping to hold up the KLSE in recent weeks when talk of a US-led war against Iraq and its impact on world economies intensified, weighing heavily on bourses across the region.

"Can you imagine, with stock markets in other countries going down so much in last few weeks, if Valuecap was not there to provide its function, the market would have gone quite bad.

"But Valuecap was there, and it created confidence and the market stabilised. Other markets were very volatile. (But) volatility was much lower (in our market) thanks to Valuecap," the source said.

The source dismissed as baseless allegations that the fund was being used to bail out financially-distressed government-linked companies.

"(Valuecap) is not going to cash out cronies," the source said, pointing out that the fund could only buy into stocks deemed to have value in terms of good net tangible assets, growth potential and management. A stock

must

also be liquid, the source added.

"Whenever Valuecap sees there's an opportunity for a good buy, it will buy," the source continued.

The KLSE Composite Index yesterday closed half a percentage, or 3.51 points, higher to 660.96 with 164 million shares traded.